



CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION

915 L STREET, SUITE 1460 • SACRAMENTO, CALIFORNIA 95814
(916) 441-1733 • FAX (916) 441-4053 • www.cmua.org

JERRY JORDAN, Executive Director

January 25, 2002

OFFICERS

President
JAMES C. FEIDER
Redding

Vice President
LARRY GARDNER
San Diego

Secretary
BERNARD C. KERSEY
San Bernardino

Treasurer
JOSEPH F. HSU
Azusa

General Counsel
LUCINA MOSES
Anaheim

BOARD OF GOVERNORS

BILL D. CARNAHAN
So. California Public Power Authority

THOMAS K. CLARKE
City of Colton

THOM COUGHRAN
Santa Ana

MARCIE EDWARDS
Anaheim

THOMAS P. EVANS
Riverside

CHERYL FARR
East Bay Municipal Utility District

GEORGE FRASER
Northern California Power Agency

CHRIS GARNER
Long Beach

DUANE GEORGESEN
Metropolitan Water District
of Southern California

TOM HABASHI
Roseville

PETER L. HOLZMEISTER
Truckee Donner Public Utility District

ANTHONY J. PACK
Eastern Municipal Water District

LAURIE PARK
Hetch Hetchy Water & Power
San Francisco

JAMES H. POPE
Santa Clara

JAN SCHORI
Sacramento Municipal Utility District

ALLEN SHORT
Modesto Irrigation District

JOHN ULRICH
Palo Alto

ALAN VALLOW
Lodi

DAVID WIGGS
Los Angeles

Laura Doll
Executive Director
California Power Authority
901 P Street, Suite 142A
Sacramento, California 95814

Dear Ms. Doll:

The California Municipal Utilities Association would like to offer some general comments on your "Clean Growth: Clean Energy for California's Economic Future" draft report. We have not had time to receive detailed comments back from our members on the specifics of the report but I would offer a couple of comments for your consideration.

In general the report fails to identify a revenue stream necessary to finance the various proposals made in the report. California's publicly owned utilities have remained vertically integrated and have either built or contracted for sufficient resources to meet the needs of their particular service territories. They have designed conservation programs that work for their particular circumstances and resource mixes that meet their needs. Many have large percentages of hydro resources and other renewables such as wind, geothermal, and solar. Having paid a premium for the failure of restructuring in California they are not interested in paying once again for programs designed to correct the mistakes made either by or on behalf of the state's investor owned utilities. If it is the intent of the Authority to provide services only through willing bilateral contracts, it would be helpful to clarify the report in that regard.

We believe that fundamental market reforms are necessary. While we appreciate the support of the Authority for load serving entities to acquire operating reserves (page 22 of the report) we are somewhat confused by the proposal for the Authority to acquire additional reserves necessary to provide a competitive market. How would those reserves be funded? Our position is that load serving entities should be required to maintain whatever reserves are necessary to maintain reliability. The ISO should not be allowed to use those resources for market making activities and in fact the ISO should not be involved in market making activities. Adequate reserves should be required by market rule. Load serving entities could contact with the Authority to fulfill their reserve

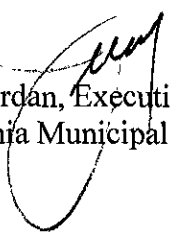
02 JAN 28 12:55 PM

Laura Doll
January 25, 2002
Page 2

requirements. In such a system there should not be a need for additional reserves to create a competitive market.

I would be happy to discuss our position with you at your convenience and to get a better understanding of how the Authority views its role in this market. We believe the Legislature needs to focus on market design before many of these other questions can adequately be resolved.

Sincerely,


Jerry Jordan, Executive Director
California Municipal Utilities Association

JJ/mz